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TOBACCO TRADE WITH LATIN AMERICA

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## TOBACCO TRADE WITH LATIN AMERICA

The development of economic cooperation in the Americas carries with it, as one of its essential features, an increase in the exchange of noncompetitive products between the United States and the Latin-American republics. Among the products that figure in inter-American trade, tobacco occupies a peculiar position, being neither wholly competitive nor wholly noncompetitive. Both Latin America as a whole and the United States have large export surpluses and to some extent compete in sales abroad. At the same time, the differences in types of leaf grown in the respective areas have left room for a moderate inter-American trade. The United States surplus, which has averaged about 450 million pounds during the past few years, has been largely of flue-cured and fire-cured types, whereas the surplus from the Latin-American countries, which has been about 125 million pounds annually, has been primarily of cigar and heavy dark air-cured types. The present unsettled world conditions have made it increasingly difficult to move these surpluses to their normal foreign markets and have intensified the importance of an increase in trade between the Americas. The backing up of surpluses in these areas, however, has made an increase difficult.

During the past 5 years the Latin-American countries have been an outlet for about 4.5 million pounds annually of United States leaf, largely flue-cured and fire-cured types, and about 3.5 million pounds of tobacco products, chiefly cigarettes and smoking tobacco. On the other side of the ledger, the United States has taken about 14.4 million pounds of Latin-American leaf, largely Cuban cigar tobacco; and about 0.1 million pounds of products, mostly Cuban cigars. The

trade in both directions has declined during the past several years, and present trends and existing obstacles indicate an even greater decline, especially as regards United States exports to the southern countries.

Most of the Latin-American countries have high duties on leaf and tobacco products, and high internal taxes. In some instances the import duty represents several times the value of the leaf or product, and in some of the countries the rates are higher on leaf and products originating in the United States than on those from neighboring Latin countries. Internal taxes on tobacco products are in some cases higher on products made from imported leaf than on those made from domestic tobacco. These high charges on foreign tobacco tend to restrict consumption to domestic leaf, and have encouraged the home production of United States types of tobacco required in the manufacture of certain products. The output of United States types is still limited and does not meet total requirements. If, however, expansion in production follows the trend that has occurred in most other areas that have taken up the production of United States types, the output may soon displace most of the relatively small imports from the United States, and in time may be sufficient to enable a substantial export.

Low incomes of most of the population, which is estimated at about 126 million persons, tend to restrict consumption to the cheaper products made exclusively from domestic leaf. It is estimated that for the whole of Latin America, only about 10 to 15 percent of the population have sufficient income to enable them to use the higher-priced products containing United States leaf.

Present conditions are not favorable to a substantial increase in United States imports of existing types of Latin-American tobacco. It is believed, however, that the imports will not continue to decline as in the past several years and may show a slight increase. Most of the import has been Cuban cigar leaf, and the decline has resulted largely from a lower level of cigar consumption. There has been a slight upturn, however, in cigar consumption in the United States in recent years, and if it continues it might result in larger takings of Cuban leaf.

#### Mexico and Central America

The production of tobacco in Mexico, the six Central-American republics, and British Honduras during the past 5 years is estimated to have been about 55 million pounds annually, and consumption near this amount. Exports, imports, and intershipment of leaf in the area have been small; the total of shipments leaving the eight individual countries has been about 2.1 million pounds annually and total receipts about 1.7 million pounds. Part of this movement is intershipment between the countries, and it is estimated that for the area as a whole a total of about 1.5 million pounds of leaf is exported to points outside of Mexico and Central America and about 1.1 million pounds imported. There has been no material change in the export volume, but imports have declined substantially. Imports of leaf from the United States during the past 5 years, as indicated by shipments from this country, have averaged less than 0.7 million pounds annually as compared with about 1.8 million pounds during the 1920's. Until 1931, most of the import of United States leaf was of the Kentucky-Tennessee fire-cured type, but in recent years the proportion of this type has dropped to about one-fourth of the total. Imports of United States flue-cured leaf have increased both in volume and proportion and now represent about one-third of the total. The remaining one-third is largely of the burley type (see table, page 8).

Exports of tobacco products by Mexico and the Central-American countries have been relatively insignificant, and imports have been small. Most of the import, or about 0.9 million pounds annually, has been from the United States. Cigarettes account for a large part of the total, followed by chewing tobacco, cigars, and smoking tobacco in order of their importance (see table, page 9).



There never have been significant imports of either leaf or products into the United States from Mexico and Central America, and for recent years they have been practically nil.

Approximately 70 percent of the total domestic production of tobacco in Mexico and Central America is in Mexico, where the annual output during the past 5 years has been about 37.5 million pounds. Honduras, for which latest available estimates indicate a production of about 7 million pounds annually, is next in importance, and production in the remaining six countries is in each case reported to be less than 2 million pounds annually. A variety of types of leaf is produced, but dark air-cured types, including cigar leaf, predominate. United States types, and especially flue-cured and burley, are grown in Mexico and some of the other countries, but as yet the production is limited and is all used in domestic consumption.

The per-capita consumption of tobacco of the entire population of Central America, estimated at about 26 million people, is low. It averages about 2.5 pounds annually, as compared with approximately 6.6 pounds in the United States. Low incomes of a large part of the population, combined with the abstinence from the use of tobacco on the part of most of the women, account for the low consumption.

#### South America

Tobacco production during the past 5 years in the 10 South-American republics and the 3 foreign possessions on the Continent is estimated at about 330 million pounds and consumption at about 260 million pounds annually. The total movement of leaf from the individual countries during recent years has been about 85 million pounds annually and receipts about 23 million pounds. Of these amounts, approximately 12 million pounds represent intershipment between the respective countries, which leaves an export for the area as a whole of about 73 million pounds, and an import of about 11 million pounds annually. As in Mexico and Central America, the volume of leaf exports has not changed materially, but imports have declined. Imports from the United States during the past 5 years have averaged about 2.2 million pounds annually as compared with approximately 3.6 million pounds during the 1920's. Prior to 1932 about three-fourths of the imports of United States leaf were of fire-cured types, but in recent years flue-cured leaf has accounted for about two-thirds of the total. Imports of burley have also increased (see table, page 8).

A large share of tobacco products imported into South America comes from the United States, averaging for the past 5 years approximately 1.5 million pounds annually. Over half of this volume has been represented by cigarettes; and a substantial part has been smoking tobacco (see table, page 9). Exports of products from the area have been small.

United States imports of leaf and tobacco products from South America have been limited to small quantities of leaf coming from the ports of Argentina and a few cigars from Brazil (see table, page 7).

Approximately two-thirds of the leaf grown in South America, or about 210 million pounds annually, is produced in Brazil, which also exports about four-fifths of the tobacco leaving the Continent. Most of the remaining one-third of the production is in the countries of Argentina, Colombia, and Paraguay, of which the latter two are relatively important exporters. Argentina is the largest importer, taking about three-fourths of the total South American leaf import and two-thirds of the import from the United States. Uruguay, Brazil, and the Guianas account for most of the remaining import from the United States.

Leaf grown in South America consists largely of dark air- and sun-cured types, including cigar leaf. Most of the United States types are grown in one or more of the South American countries, and their production, particularly that of flue-cured, has increased in recent years. The combined production of all of the United States types, however, still represents a small portion of total leaf grown. Available information indicates that the greatest expansion has been in Argentina, where in 1939-40 about 4,500 acres, or approximately 9 percent of the total tobacco area, were of United States types.

The per-capita consumption of tobacco by the estimated 89 million persons in South America is somewhat higher than in Mexico and Central America and is estimated to average about 3.25 pounds annually. The higher rate is attributed to somewhat larger incomes.

#### West Indies

The production of tobacco during the past 5 years on the numerous islands of the West Indies, excluding Porto Rico and the Virgin Islands, belonging to the United States, is estimated to have totaled about 65 million pounds annually, and consumption has averaged approximately 25 million pounds. About two-thirds of the annual total leaf export of approximately 40 million pounds has been from Cuba and most of the remainder from the Dominican Republic. Imports of leaf by the islands as a whole have averaged less than 2 million pounds annually, of which over two-thirds has been flue-cured leaf and the rehandled leaf classified as black fat, water-baler, or dark African from the United States. The volume of leaf imports has not changed materially in recent years, but exports have dropped sharply. Exports from Cuba, including trimmings and scrap, averaged only about 26 million pounds for the 3 years, 1936-1938, as compared with 45 million pounds during the period 1930-1932.

Imports of tobacco products into the West Indies, largely from the United States, have been relatively small. Total shipments from the United States to the islands during the past 5 years have averaged less than 1 million pounds annually, most of which were cigarettes.



Exports of products from the islands, consisting largely of cigars from Cuba, have been relatively large but are declining. Exports of Cuban cigars dropped from an average of 52 million pieces during the 3 years 1930-1932 to 36 million during the period 1936-1938.

Much of the decline in exports of West Indies leaf and cigars has resulted from smaller takings by the United States. Imports of Cuban leaf by the United States declined from about 18 million pounds annually during the period 1930-1932 to less than 13 million pounds during the period 1936-1938. Imports of Cuban cigars declined even more drastically, or from 12.1 million to 2.8 million pieces.

Nearly three-fourths of the tobacco production of the West Indies is in Cuba, where the output during the past 5 years has averaged about 48.3 million pounds. Most of the remainder is in the Dominican Republic. Production of the other islands is in each case estimated at 1 million pounds or less. Almost the entire output is of cigar-type leaf.

The per-capita consumption of tobacco by the estimated population of 11 million persons is approximated at 3 pounds annually. This is less than half the per-capita consumption in the United States, but compares favorably with that of South America and exceeds the estimated per-capita consumption of Mexico and Central America.

UNITED STATES: Imports of leaf tobacco including scrap, and tobacco products from Latin-American countries, average 1935-1939 a/

Country of origin	: Leaf and : : scrap :	Cigars :	Ciga- : : rettes :	Other : : products
	: 1,000 : : pounds :	: 1,000 : : pieces :	: 1,000 : : pieces :	: 1,000 : : pounds :
Mexico.....	<u>b/</u> :	0 :	0 :	0
Argentina.....	144 :	<u>c/</u> :	1 :	0
Bolivia.....	<u>b/</u> :	0 :	0 :	0
Brazil.....	0 :	1 :	<u>c/</u> :	0
Colombia.....	0 :	0 :	<u>c/</u> :	0
Venezuela.....	0 :	0 :	1 :	0
Jamaica.....	8 :	1 :	0 :	<u>b/</u>
Trinidad and Tobago.....	<u>b/</u> :	0 :	0 :	0
Other British W. Indies....	0 :	4 :	13 :	0
Cuba.....	14,244 :	3,057 :	11 :	1
Dominican Republic.....	0 :	5 :	5 :	0
Total.....	14,396 :	3,068 :	31 :	1

Compiled from Foreign Commerce and Navigation of the United States.

a/ There were no imports from countries other than those listed.

b/ Less than 500 pounds.

c/ Less than 500 pieces.

UNITED STATES: Exports of leaf tobacco to Latin-American countries,  
average for crop years 1934-35 to 1938-39 a/

Country of destination	Flue-cured	Dark Virginia	Ky.-Tenn. Fire-cured	Burley	Black fat, etc. b/	All other c/	Total
	: 1,000 pounds	: 1,000 pounds	: 1,000 pounds	: 1,000 pounds	: 1,000 pounds	: 1,000 pounds	: 1,000 pounds
Mexico.....	4:	35:	43:	99:	d/	d/	181
<u>CENTRAL AMERICA</u>							
British Honduras.....	20:	d/	1:	7:	43:	3:	74
Costa Rica.....	16:	11:	0:	9:	0:	d/	36
Guatemala.....	53:	0:	0:	9:	d/	1:	63
Honduras.....	17:	0:	d/	d/	0:	3:	20
Nicaragua.....	93:	d/	2:	48:	3:	d/	146
Panama e/.....	9:	1:	115:	0:	6:	3:	134
Salvador.....	35:	4:	13:	1:	1:	3:	57
Total.....	243:	16:	131:	74:	53:	13:	530
<u>SOUTH AMERICA</u>							
Argentina.....	871:	123:	147:	165:	0:	4:	1,310
Bolivia.....	1:	d/	0:	0:	0:	0:	1
Brazil.....	43:	2:	23:	9:	0:	0:	77
Chile.....	6:	d/	0:	8:	0:	d/	14
Colombia.....	55:	1:	d/	2:	0:	1:	59
Ecuador.....	2:	1:	0:	2:	0:	0:	5
British Guiana.....	149:	1:	65:	0:	106:	0:	321
Surinam f/.....	7:	2:	9:	0:	38:	0:	56
French Guiana.....	0:	0:	6:	1:	30:	d/	37
Paraguay.....	d/	4:	2:	c/	0:	0:	6
Peru.....	30:	8:	0:	3:	d/	3:	44
Uruguay.....	187:	11:	26:	19:	0:	0:	243
Venezuela.....	4:	3:	1:	d/	0:	0:	8
Total.....	1,355:	156:	279:	209:	174:	8:	2,181
<u>WEST INDIES</u>							
Barbados.....	88:	4:	0:	0:	2:	3:	97
Jamaica.....	367:	d/	5:	0:	2:	d/	374
Trinidad and Tobago.....	406:	60:	8:	0:	1:g/	51:	526
Other British W. Indies:	25:	4:	19:	7:	153:	1:	209
Cuba.....	90:	0:	0:	0:	1:	d/	91
Dominican Republic.....	2:	0:	d/	22:	1:	d/	25
Netherland W. Indies....	d/	2:	4:	0:	73:	1:	80
French W. Indies.....	1:	d/	57:	d/	139:	6:	203
Haiti.....	6:	d/	9:	2:	8:	1:	26
Total.....	985:	70:	102:	31:	380:	63:	1,631
Total all countries....	2,587:	277:	555:	413:	607:	84:	4,523

Compiled from issues of Monthly Summary of Foreign Commerce of the United States.

a/ Marketing years are as follows: Flue-cured year beginning July, Maryland year beginning January, all others beginning October. b/ Black fat, water-baler, and dark African. c/ Maryland, Green River, One-Sucker, Perique, and cigar leaf. d/ Less than 500 pounds. e/ Includes small quantities to the Panama Canal Zone. f/ Dutch Guiana. g/ Largely One-Sucker.

UNITED STATES: Exports of tobacco products to Latin-American countries, average 1935-1939

Country of destination	Cigars	Ciga- rettes	Chewing tobacco	Smoking tobacco	Other products
	1,000 pieces	1,000 pieces	1,000 pounds	1,000 pounds	1,000 pounds
Mexico.....	a/	34,735	4.4	1.5	0.1
<u>CENTRAL AMERICA</u>					
British Honduras.....	1	5,146	b/	0.3	b/
Costa Rica.....	3	35,644	0.1	0.6	0.5
Guatemala.....	5	948	b/	0.4	b/
Honduras.....	3	701	0	0.1	0.1
Nicaragua.....	a/	292	b/	0.4	b/
Panama c/.....	345	215,442	102.9	9.4	2.6
Salvador.....	0	1,634	0	0.1	0.1
Total.....	357	259,807	103.0	11.3	3.3
<u>SOUTH AMERICA</u>					
Argentina.....	91	59,534	2.2	199.9	440.6
Bolivia.....	a/	2,634	b/	1.3	22.9
Brazil.....	2	70	b/	0.4	8.0
Chile.....	11	344	1.2	2.5	0.4
Colombia.....	3	124,139	a/	2.0	1.2
Ecuador.....	a/	8,810	0	3.3	3.8
British Guiana.....	0	345	1.5	0.2	0
Surinam d/.....	a/	3,867	0	0	0
French Guiana.....	a/	1,515	0	b/	0
Paraguay.....	a/	536	0	0.1	0
Peru.....	0	12,881	0.1	0.8	0
Uruguay.....	22	7,639	b/	0.6	3.2
Venezuela.....	6	47,286	0.2	1.9	b/
Total.....	135	269,600	5.2	213.0	480.1
<u>WEST INDIES</u>					
Barbados.....	a/	703	7.1	0.4	5.4
Jamaica.....	1	3,041	1.8	5.6	12.6
Trinidad and Tobago....	a/	2,745	0	0.7	0.4
Other British W. Indies:	236	20,834	12.3	6.3	0.8
Cuba.....	2	56,441	1.0	1.4	0.2
Dominican Republic.....	0	560	0.1	0.6	0.6
Netherland W. Indies....	149	134,014	36.5	11.6	2.8
French W. Indies.....	1	5,853	0	0.6	0
Haiti.....	a/	21,599	0.6	12.0	72.6
Total.....	389	245,790	59.4	39.2	95.4
Total all countries....	881	809,932	172.0	265.0	578.9

Compiled from Foreign Commerce and Navigation of the United States.

a/ Less than 500 pieces.

b/ Less than 50 pounds.

c/ Average for 2 years, 1938 and 1939, for Republic of Panama. Data for previous years included the Canal Zone.

d/ Dutch Guiana.

